

SKAGIT COUNTY FIDALGO PARK AND RECREATION DISTRICT
Skagit County, Washington
January 1, 1990 Through December 31, 1992

Schedule Of Findings

1. The District Should Improve Controls Over Cash Receipts

During our audit of the district, we noted weaknesses in the cash receipting system including:

- a. Cash at the district office was inadequately safeguarded.
- b. District officials were unable to identify the employee(s) responsible for each transaction.
- c. The cash register does not identify payment received as cash or check.

The district's failure to install and maintain sufficient controls over cash receipts has resulted in the theft of money on at least three occasions during the years audited. On one occasion, an employee admitted to the theft of \$120 and was fired. On two occasions, break-ins at the district office occurred and cash receipts, totaling in excess of \$600, were taken. Additionally, due to the lack of controls, other errors and irregularities involving the loss of district money may have occurred without being detected. Further, without improved controls it would be difficult, if not impossible, to fix responsibility for any losses detected to any particular individual. These losses were not reported to the State Auditor's Office until the time of this audit.

RCW 43.09.200 Division of Municipal Corporations - Uniform System of Accounting states in part:

The system shall show the receipt, use and disposition of all public property, and the income, if any, derived therefrom; all sources of public income, and the amounts due and received from each source; all receipts, vouchers, and other documents kept or required to be kept, necessary to isolate and prove the validity of every transaction
(Emphasis added.)

The American Institute of Certified Public Accountants (AICPA) in its *Codification of Statements on Auditing Standards*, AU Section 319, Appendix D, states in part:

Establishing and maintaining an internal control structure is an important management responsibility . . . some of the specific objectives management may wish to consider include the following:

Transactions are executed in accordance with management's general or specific authorization.

Transactions are recorded as necessary . . . to maintain

accountability of assets.

Access to assets is permitted only in accordance with management's authorization.

The recorded accountability for assets is compared with the existing assets at reasonable intervals and appropriate action is taken with respect to any differences.

Access to Assets: The objectives of safeguarding assets requires that access be limited to authorized personnel. In this context, access to assets includes both direct physical access and indirect access through preparation or processing of documents that authorize the use or disposition of assets. Access to assets is required in the normal operations of a business and, therefore, limiting access to authorized personnel is the maximum feasible constraint. The number and competence of personnel to whom access is authorized should be influenced by the nature of the assets and the related susceptibility to loss through errors and irregularities. Limitation of direct access to assets requires appropriate physical segregation and protective equipment or devices. (Emphasis added.)

Additionally, because the district did not report the losses noted above it also is not in compliance with the State Auditor's Bulletin No. 007, dated October 8, 1984, addressed to all political subdivisions, issued under the authority of RCW 43.09 200. This bulletin states in part:

The chief executive officer or chief financial officer should immediately report the suspected loss to the State Auditor's Regional Audit Manager or the Chief Examiner of the Division of Municipal Corporations.

Failure to report all suspected loss of public funds could result in district officials not identifying the full extent of the theft(s) or misappropriation(s) and greatly diminishes the district's ability to utilize all legal avenues available for reimbursement or recovery.

We recommend the district develop and implement a system of controls which will ensure that all cash that is received by the district is deposited with the county treasurer. We further recommend that the district contact the State Auditor's Office immediately when there is a suspected loss of public funds.